

SOUTH YORKSHIRE PENSIONS AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2017/18

1. SCOPE OF RESPONSIBILITY

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk. Apart from employing its own officers and advisors the Authority also receives support services from officers of Barnsley Metropolitan Borough Council (BMBC).

The Authority's Local Code of Governance complies with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government* Framework 2016.

A copy of the Authority's code is on our website at www.southyorks.gov.uk. This statement explains how the Authority has complied with the code and meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and approval of an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to and engages with employing bodies, pensioners, contributors and other stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk: it can only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is ongoing and is designed to identify risks to the achievement of the Authority's policies, aims and objectives. The system attempts to evaluate the likelihood of those risks being realised and the impact should they be realised and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK – OUTLINE

The Authority's framework of governance continues to evolve in line with best practice and is based upon CIPFA / SOLACE guidance.

The Authority's arrangements take cognisance of the 7 Core Principles embodied within their 2016 report, *Delivering Good Governance in Local Government: Framework*.

3.1 Identifying and communication of the Authority's vision of its purpose and intended outcomes for employing bodies, pensioners and contributors

The Authority is responsible for administering the South Yorkshire Pension Fund in accordance with statutory Regulations. It has a fiduciary duty to the contributors and beneficiaries of the Fund to ensure that contributions are collected, that benefits are calculated correctly and paid promptly, and that any surplus monies are properly invested.

Within the statutory framework the Authority has established objectives, policies and performance standards relating to the investment and administration of the Fund. The Authority reviews these objectives on a regular basis.

The development of policy by the Authority is informed and shaped by:

- Statutory regulation
- Professional advice
- The nature of the liabilities of the Fund
- The results of the triennial actuarial valuation of the Fund
- Periodic asset and liability studies
- Consultation with employees, employers and other stakeholders
- Membership of the Local Authority Pension Fund Forum
- Customer Service Excellence criteria

The policies of the Authority are published by means of the:

- Annual Report, newsletters and Authority/Board reports
- Use of the Authority and Service websites to publish policies
- Corporate Strategy Statement
- Live webcast of Authority meetings
- The Fund's meetings for pensioners and contributors and employers.

3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements

Changes to the Local Government Pensions Scheme and in particular the transition to Pooling arrangements for the investment arm of funds will require a significant review of the Authority's corporate policies to reflect such changes and a broader review of its governance and succession planning requirements. The Border to Coast Pensions Partnership (BCPP) has been established to take over investment responsibility for the Fund from 2 July 2018. Discussions are ongoing to ensure that governance structures established by BCPP compliment those in place in South Yorkshire and where amendments are required this will take place.

3.3 Measuring the quality of services for users, to ensure they are delivered in accordance with the Authority's objectives and that they represent the best use of resources

Service quality is monitored via annual satisfaction surveys of member organisations, contributors and recipients, the complaints system and Customer Service Excellence reviews. The key service standards are monitored and action taken where these are not met. The Authority has been awarded Customer Service Excellence status for more than ten years.

3.4 Monitoring performance against operational, financial and other strategic plans

The Authority has established and adopted six key objectives which are published on the website and in the Annual Report.

The performance management process in place provides for the Authority and its

Boards to receive reports on, and monitor performance against, the Authority's objectives and priorities. Performance reports considered during the year:

- Quarterly Planning & Performance Management Framework reports on the Authority's and Service's performance against the six strategic objectives;
- Reports on the performance of Pensions Administration measured against other local authorities through CIPFA benchmarking arrangements;
- Quarterly investment performance reports including measurement against the Fund's customised benchmark;
- Financial reports which indicate budgetary performance against forecasts;
- Monitoring reports on the achievement of the Internal Audit Plan;
- Reporting of any Breaches;
- Reports on the implementation of Internal and External Audit recommendations;
- The Annual Governance Statement review process.

3.5 Establishment of risk management processes by which key risks are identified and mitigated

Risk is managed at all levels within the Authority with one risk register being maintained by the Service and one by the Authority. The identification and monitoring of Service risks is a standing item at senior management meetings. The Authority's risk register is reviewed by officers at Pensions Planning Group and quarterly by the Corporate Planning and Governance Board (CPGB).

The Authority has thoroughly reviewed both Risk Registers including content and format in conjunction with BMBC audit. The Risk Management Strategy and Risk Register was considered and agreed by the Authority in November 2017.

3.6 Audit Committee

The CPGB functions as an audit committee and conducts its arrangements in accordance with the CIPFA good practice guidance for local authority audit committees. The CPGB produces an Annual Report on its activities and this is reported to the Authority and subsequently published on the website.

3.7 Local Pension Board

In accordance with the requirements of The Public Services Pensions Act 2013 the Authority has established a Local Pension Board. The Board's remit was adjusted during the year following the transfer of the South Yorkshire Passenger Transport Fund to the Greater Manchester Pension Fund. The Board has held regular meetings and provides oversight, challenge and scrutiny over how the administering authority exercises its responsibilities. It publishes its own annual report which is available on the Authority's website, and within the Annual Report.

3.8 Defining and documenting the roles and responsibilities of the Authority, members and officers, with clear delegation arrangements and protocols for effective communication and arrangements for challenging and scrutinising activity

The roles and responsibilities of the Authority, members and officers are set out in the Authority's Constitution which identifies matters reserved to the Authority, the terms of reference of Boards and Committees, the scheme of delegation to officers, standing orders and financial regulations.

The Authority maintains forward work programmes which outline future matters for consideration. These are regularly reviewed.

All officers have job descriptions and a training and development framework exists.

3.9 Developing communicating and embedding codes of conduct, the standards of behaviour for members and staff

Members and officers are subject to codes of conduct. Officer codes of conduct are reviewed on an ongoing basis. There is, also, a Member and Officer Relations protocol. Equality and diversity training is part of the development programme for staff. The Authority has a Member Training and Development Strategy which supports learning and maintains high levels of compliance. This includes Induction. Individual training needs analysis interviews are conducted with Members to further support this process.

3.10 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, contract/procurement regulations, and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

Officers are charged with reviewing fundamental systems on a rolling basis and the Authority receives regular updates and considers changes when necessary. Recommendations arising out of audit reviews or changes necessitated by legislation are brought to Members' attention. As stated previously it is acknowledged that amendments will need to be made to a range of governance/constitutional documents to reflect changes stemming from legislation governing the Local Government Pension Scheme.

3.11 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Annual Statement of Accounts, including the Annual Governance Statement is reported to Members. The statutory officers of the Authority during 2017/18 were the Clerk, Treasurer, Monitoring Officer, Fund Director, supported by the members of the Authority's senior management team. Through service level agreement arrangements with Barnsley MBC, the Authority has access to HR and Internal Audit functions. Collectively these senior officers supported by their staff, provide professional advice to the Authority on its functions, powers, internal policies and procedures. They seek to ensure that the Authority operates within the law; that expenditure is lawful and effective management procedures are maintained to identify and address any areas of non-compliance.

Formal reporting on Internal Audit, External Audit, expenditure and Treasury Management is built into the annual meetings cycle.

The role of the Head of Internal Audit is fulfilled through the Head of Internal Audit at BMBC. The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). Internal Audit reports to management all identified weaknesses in the internal control arrangement, for resolution. The plan of work, progress against the plan and an annual report, including the Head of Internal Audit's opinion on the internal control arrangements, are reported to CPGB.

The Authority's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.

Having obtained legal advice the Authority has determined not to comply with regulation 6 of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 and does not operate a separate bank account for its pension fund.

3.12 Ensuring that a Whistleblowing policy, supported by other processes for receiving and reporting complaints, is in place

Confidential reporting procedures are in place for all Service personnel and BMBC staff. Complaints procedures exist both within the Service and BMBC, with the aim of ensuring prompt response, appropriate action, and recording. The Anti-Fraud and Corruption Strategy incorporates the best practice guidance issued by CIPFA. It incorporates the whistle blowing policy and additional guidance on expected behaviour and reporting.

3.13 Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The above CIPFA Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance arrangements needed to support them. These are that the Chief Financial Officer should:

- Be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy;
- Lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- Lead and direct a finance function that is resourced and fit for purpose.
- Be professionally qualified and suitably experienced.

The Authority has the following financial arrangements which demonstrate compliance with the above key principles:

- The Chief Executive of Barnsley MBC is designated as the Clerk to the Authority and the Treasurer function and that of Monitoring officer is also provided by BMBC;
- The Clerk to the Authority is responsible for monitoring the effectiveness of governance arrangements and the preparation of the Annual Governance Statement;
- The Treasurer is professionally qualified and suitably experienced.

3.14 Determining the conditions of employment and remuneration of officers

The Authority sets the conditions of employment and remuneration of its officers.

3.15 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Induction training is provided to all new Authority members. All members are required to attend the Fundamentals Training for Trustees Course prepared by the Local Government Employers organisation. Additional specific training is provided as appropriate throughout the year. Externally organised training opportunities are reported to members as they arise. Invitation to these events are extended to members of the Local Pensions Board.

Senior officers attend appropriate specialist training events and conferences to support

their strategic roles. A training budget is maintained for members and officers.

The Authority has introduced a self-assessment process for Members. The current procedures are valid and satisfy the requirements under the Myners' Principles, which the Authority has agreed to continue to use as a performance benchmark.

3.16 Establishing clear channels of communication with employing bodies, pensioners and contributors and other stakeholders, ensuring accountability and encouraging open consultation

The Authority has well developed consultation and communications procedures and has published a Communication Policy Statement.

3.17 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements

The Authority has established a working protocol with BMBC in agreement with the other South Yorkshire local District and City Councils.

The Authority is a member of the Border to Coast (BCPP) pooling arrangements and is fully represented by members and officers in the various aspects of the governance arrangements of this partnership. The Authority has also taken steps to ensure that appropriate protocols are in place to ensure that the different roles which the Authority has within BCPP, such as investor and shareholder are carried out in different places within its governance structure.

4. REVIEW OF EFFECTIVENESS

4.1 The Authority has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review is based upon work by its senior officers, the Head of Internal Audit's annual report and any comments made by the external auditors or other review agencies.

4.2 Monitoring the effectiveness of the governance framework has been accomplished in several different ways:

4.2.1 Through the normal ongoing business of the Authority

- The Authority and Boards have met on a regular basis and have received reports from officers on issues concerning its business;
- Regular performance reports have been presented to the Authority and Boards by managers;
- The Authority reviewed its budget requirements and set a budget;
- Actuarial valuations of the Fund. The last triennial valuation was undertaken in March 2016;
- Periodic asset and liability studies;
- The review of a number of strategic policies and procedural documents during the year including:
 - Risk Management Policy
 - Treasury Policy and Strategy Statement
 - Investment Strategy Statement
 - Funding Strategy Statement
 - Statement of Investment Control – Investment Mandate
 - Shareholder Engagement – Statement on Corporate Governance and Social Responsibility

- Responsible Investment Policy review
- Commercial property health and safety review
- Voting Guidelines
- Consultation and Communications Policy

4.2.2 Through formal processes of compliance

- The work of the Internal Audit section.
The Head of Internal Audit is responsible for providing assurances on the robustness of the governance, risk and control arrangements to the Authority. An annual report on audit activity and the performance of the Internal Audit Service is also presented to the Authority.

The Head of Internal Audit has provided an interim statement subject to the production of his Annual Report to be submitted to the June meeting of the Authority's Corporate Planning and Governance Board:

"Based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the Head of Internal Audit is able to give an indicative **adequate** assurance opinion regarding the effectiveness of the control, risk and governance environment".

4.2.3 By the adoption of Risk Management

- Risk monitoring within the Service.
- Maintenance of an Authority based risk register, which is reported to the Authority's Corporate Planning and Governance Board on a quarterly basis and the Authority's Local Pension Board;

4.2.4 By participating externally in processes which enhance the quality of governance

The Authority is a member of the Local Authority Pension Fund Forum.

4.2.5 Through other processes in support of the main review

- Officer assurance statements have been sought from the Authority's senior managers and also from the Statutory Officers (within Barnsley MBC). These require a positive return (i.e. a formal statement even if there are no issues to raise);
- Completion of Core Principle Templates which provide for greater focus in determining governance issues / actions required to evidence and measure compliance against the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework ***Delivering Good Governance in Local Government*** Framework 2016;
- A review of Authority reports and minutes
- A review of complaints received
- A review of member declarations

4.3 The CPGGB has overseen the whole process of review, and this statement is for the purpose of advising the Authority on the implications of the review, including a plan to address weaknesses and ensure that continuous improvement takes place.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1 The processes described in Section 4 have identified the following governance issues

for attention. Some of these remain longer term issues and as such continue to feature. The outcome of the Annual Governance Review suggests that the following significant governance issues need to be included in the 2017-18 Annual Governance Statement Action Plan. These are:

- The transfer of assets on a phased basis into the Border to Coast pooling structures together with the transfer of investment to staff to the pool's operating company.
- The need to refresh both the corporate strategy and the investment strategy in light of changes in the funding position.
- The need to prepare for the 2019 Actuarial Valuation which will take place in a very different context to recent valuations and which will require the development of a more structured approach by the Authority to employer risk.

5.2 The actions taken to date to address these have been or will be reported to the Authority and the Investment and CPG Boards. Progress in monitoring the implementation of these improvement actions will be monitored by Managers and Internal Audit and through regular reports to the Authority and Boards.

Signed: Leading Member South Yorkshire Pensions Authority	Signed: Clerk to the Authority South Yorkshire Pensions Authority
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APPENDIX

South Yorkshire Pensions Authority Annual Governance Statement Action Plan for 2018/19			
Issue	Action Required	Responsible Officer	Date for Completion
Transfer of Assets and Staff to Border to Coast Pensions Partnership and its pooling structures	Transfer of listed equities through transition manager. Subsequent transfer of listed fixed income holdings. Develop plan for transition of further asset classes, and the detailed management arrangements for assets that will not transfer. Complete TUPE transfer of investment staff to BCPP and implement new staffing structure within SYPA	Fund Director Head of Investment Strategy	Asset transition in phases from July 2018 with current planned completion during 2020, with property as the last asset class to transition. TUPE transfer of staff to be completed by July 2018.
Refresh of the Corporate Strategy and the Investment Strategy in light of changes in the funding position.	Produce new corporate strategy addressing the key risks and issues facing the Authority. Produce new investment strategy alongside the valuation process, securing external support and putting in place groundwork during 2018/19.	Corporate Strategy – Senior Management Team Investment Strategy – Fund Director and Head of Investment Strategy	Corporate Strategy by end of March 2019 Investment Strategy – external support and initial analysis in place by end March 2019. Target for final strategy January 2020 following agreement of the valuation results
Preparation for the 2019 Actuarial Valuation	Authority to agree initial framework of assumptions and “rules” for the valuation. Commence a review of employer covenant and identify key risk issues. Authority to agree an approach to addressing employer risk	Fund Director and Head of Pensions Administration Fund Director and Head of Pensions Administration	To be approved following a consultation process by 31.3.19 Commenced by 31.3.19 and then an ongoing process

		Fund Director and Head of Pensions Administration	By 31.3.19
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